

Message Text

UNCLASSIFIED

PAGE 01 LONDON 05953 01 OF 02 182017Z

66

ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-02 PRS-01 USIA-15 /106 W

----- 079646

R 181944Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0368

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 05953

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING APRIL 18

BEGIN SUMMARY: WITH A BACKDROP OF ACCELERATING WAGES AND
PRICES, AND STAGNATING OUTPUT, CHANCELLOR HEALEY PRESENT-

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 05953 01 OF 02 182017Z

ED HIS BUDGET APRIL 15. IT IS A MILDLY DEFLATIONARY BUD-

GET DESIGNED TO REDUCE THE INFLATION RATE AND FURTHER THE GOVERNMENT'S ECONOMIC STRATEGY OF INDUCING RESOURCES TO MOVE TO THE EXTERNAL SECTOR AND INTO INVESTMENT. WHETHER IT WILL SUCCEED DEPENDS ON UNION REACTIONS TO IT, AND ON A RESURGENCE OF WORLD TRADE NEXT YEAR. IT HAS FURTHER OFFENDED MANY OF THE UNIONS AND THE LEFT-WING OF THE LABOR PARTY AND COULD COMPLICATE POLITICAL ISSUES.

THE STOCK MARKET REACTED BY SOARING TO ITS HIGHEST LEVEL SINCE THE END OF 1973. STERLING STRENGTHENED AGAINST THE DOLLAR BUT THE TRADE-WEIGHTED DEPRECIATION WIDENED SLIGHTLY. END SUMMARY

1. BUDGET. INCREASES IN PERSONAL DIRECT AND INDIRECT TAXES WERE THE MAIN IMMEDIATE FEATURE OF THE MILDLY DEFLATIONARY BUDGET. PUBLIC SPENDING CUTS WERE PROMISED FOR NEXT FISCAL YEAR. THE CHANCELLOR INTENDS TO FIGHT INFLATION WITH THE BUDGET THROUGH RESTRAINING CONSUMPTION AND REDUCING THE GROWTH OF THE PUBLIC SECTOR DEFICIT AND FORECAST AN UNEMPLOYMENT RATE OF 4 PERCENT BY THE END OF 1975. HE INTENDS TO KEEP A TIGHT REIN ON MONETARY GROWTH. THE BUDGET ALSO OFFERED SOME FURTHER INVESTMENT INCENTIVES THROUGH SUBSIDIES AND THE PRICE CODE WHICH ARE DIRECTED EQUALLY AT THE EXTERNAL SECTOR, AND IT PROPOSED A NEW EXPORT CREDIT GUARANTEE SCHEME FOR WHICH NO DETAILS ARE YET KNOWN. THUS, THE BUDGET WILL ALSO SERVE THE GOVERNMENT'S STRATEGY OF LIMITING CONSUMPTION GROWTH AND INDUCING THE MOVEMENT OF RESOURCES TO THE EXTERNAL SECTOR AND TO INVESTMENT. FOR DETAILS SEE LONDON 5726, 5725, 5727.

2. WAGE RATES. THE INDEX OF HOURLY WAGE RATES JUMPED BY 3.9 PERCENT IN MARCH BRINGING THE TOTAL INCREASE FOR THE PAST 12 MONTHS TO 32.5 PERCENT. EARNINGS FOR FEBRUARY SHOWED A 1.9 PERCENT INCREASE.

FOR WAGES, THE INDEX NUMBER IN MARCH IS 166.8 UP FROM 160.6 IN FEBRUARY (S.A., JULY 1972 EQUALS 100). THE MARCH 1974 NUMBER WAS 125.9. THE EARNING INDEX NUMBER IS 210.0 FOR FEBRUARY AS COMPARED TO 206.0 IN JANUARY (JULY 1972 EQUALS 100, S.A.). FEBRUARY 1974 EQUALED 156.8.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 05953 01 OF 02 182017Z

3. RETAIL PRICES. THE RETAIL PRICE INDEX ROSE BY 2 PERCENT IN MARCH. THE INDEX NUMBER IN MARCH IS 124.3 COMPARED TO 121.9 IN FEBRUARY (JANUARY 1974 EQUALS 100). ON A YEAR THE INDEX HAS NOW RISEN BY 21.2 PERCENT.

4. WHOLESALE PRICES. THE OUTPUT WHOLESALE PRICE INDEX (DOMESTIC GOODS EX-FACTORY) FOR MARCH ROSE BY 1.5 PERCENT

FROM 175.5 IN FEBRUARY TO 178.2 (1970 EQUALS 100). THIS INDEX NOW SHOWS A 25.25 PERCENT ROSE OVER THE PAST YEAR. THE INPUT WHOLESALE PRICE INDEX (FUELS AND RAW MATERIALS) INCREASED BY 1.7 PERCENT IN MARCH, FROM 218.1 TO 221.8. THE BULK OF THIS ANOMOLOUSLY LARGE INCREASE COMES FROM HIGHER COAL PRICES, AND OVER THE PAST YEAR THIS INDEX NOW SHOWS ONLY A 3.25 PERCENT RISE.

5. INDUSTRIAL PRODUCTION. THE INDEX OF INDUSTRIAL PRODUCTION FOR FEBRUARY SHOWED NO GROWTH. THE PROVISIONAL INDEX NUMBER FOR FEBRUARY FOR ALL INDUSTRIES IS 105.3 (1970 EQUALS 100), COMPARED WITH 105.2 FOR JANUARY, 105.4 FOR THE 4TH QUARTER OF 1974, AND 108.6 FOR 3RD QUARTER 1974.

MILLER

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 05953 02 OF 02 182018Z

66

ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-02 PRS-01 USIA-15 /106 W

----- 079690

R 181944Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0369

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDOC WASHDC

UNCLAS SECTION 02 OF 02 LONDON 05953

PASS TREASURY/FRB

THE MANUFACTURING INDEX FOR FEBRUARY WAS 106.4; PREVIOUS
FIGURES: 107.2 IN JANUARY, 106.2 IN 1974/IV, 110.2 IN
1974/III.

6. TRADE. THE UK SHOWED AN UNEXPECTED CURRENT ACCOUNT
SURPLUS IN MARCH DUE TO TECHNICAL FACTORS. FOR THE MONTH
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 05953 02 OF 02 182018Z

THE OIL BALANCE SHOWED A 206 MILLION POUND DEFICIT WHILE
THE NON-OIL TRADE ACCOUNT WAS IN SURPLUS BY 100 MILLION
POUNDS AND THE INVISIBLE/SERVICE ACCOUNT SHOWED ITS USUAL
120 MILLION POUND SURPLUS. WHILE THE TRENDS IN BOTH THE
OIL AND NON-OIL ACCOUNTS HAVE BEEN IMPROVING LATELY, THE
MARCH SURPLUS WAS ASCRIBED TO THE LONDON DOCKERS STRIKE
AND FISHERMEN'S BLOCKADE OF SOME BRITISH PORTS WHICH
AFFECTED IMPORTS MORE THAN EXPORTS. SEE LONDON 5641 FOR
DETAILS.

7. CONSUMER SPENDING. DESPITE THE SAGGING REAL INCOME/
OUTPUT FIGURES, CONSUMERS SPENDING CONTINUES LEVEL IN REAL
TERMS. PRELIMINARY FIGURES FOR THE FIRST QUARTER OF 1975
INDICATE AN 0.3 PERCENT RISE OVER THE FOURTH QUARTER OF
AND EARNINGS.

8. HOUSING. PRELIMINARY FIGURES INDICATE A SLIGHT GAIN
IN PRIVATE HOUSING STARTS IN FEBRUARY BUT THEY ARE STILL
WELL DOWN ON A YEAR AGO.

9. EXCHANGE RATE AND GOLD:

	4/10	4/17	CHANGE
EXCHANGE RATE	\$2.3625	\$2.3705	UP \$0.0080
EFFECTIVE DEPRECIATION			
(PERCENT)	21.9	22.0	UP 0.1
GOLD	\$172.50	\$168.50	DOWN \$4.00

10.FORWARD DISCOUNT ON STERLING:

	4/10	4/17	CHANGE
1 MONTH	1.05	0.82	DOWN 0.23
3 MONTHS	2.95	2.75	DOWN 0.20
6 MONTHS	5.95	5.75	DOWN 0.20

(ALL FIGURES IN CENTS)

11.EURODOLLAR INTEREST RATES:

	4/10	4/17	CHANGE
1 MONTH	6-1/4	6	DOWN 1/4
3 MONTHS	7-1/8	6-7/8	DOWN 1/4
6 MONTHS	8-1/8	7-7/8	DOWN 1/4

12.LOCAL AUTHORITY DEPOSIT RATES:

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 05953 02 OF 02 182018Z

	4/10	4/17	CHANGE
1 MONTH	8-15/16	9-1/8	UP 3/16
3 MONTHS	9-9/16	9-9/16	UNCHANGED
6 MONTHS	9-15/16	9-15/16	UNCHANGED

13.THE MINIMUM LENDING RATE FELL TO 9-3/4 PERCENT FROM
10 PERCENT ON FRIDAY, APRIL 18, 1975.

MILLER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON05953
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750137-0409
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750438/aaaabjoj.tel
Line Count: 246
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 02 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JUL 2003 by maginmm>; APPROVED <30 JAN 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS - WEEK ENDING APRIL 18 BEGIN SUMMARY: WITH A BACKDROP OF ACCELERATING WAGES AND
TAGS: ECON, UK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006